



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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Contact: Communications Division (619) 235-5725

CITY ATTORNEY AND BUDGET ANALYST SPEAK TRUTH ABOUT CITY SERVICES TAKING A NOSE DIVE

Aguirre Analyzes the Data Which Shows Pension Liability Is Strangling the City

San Diego, CA—The City's Independent Budget Analyst (IBA) and the San Diego City Attorney have one thing in common--they both speak the truth about how the level of City services is taking a nose dive and will continue to get worse. City Budget Analyst Andrea Tevlin says the City suffers from a "structural" deficit which is a situation where ongoing expenditures consistently exceed ongoing revenues.

But in the City Attorney's analysis of the IBA's report, "City of San Diego Structural Budget Deficit," the public is provided with the cause of the "structural" deficit—taxpayer dollars continue to be diverted from the provision of city services to bailing out the City's employee pension system, which is \$1.4 billion in the hole. The unlawful debt was created in 1996 and 2002 when the City Council granted increased pension benefits to city employees in exchange for the Pension Board allowing the City to under fund the pension system.

"Facing a billion dollar and growing pension deficit, City officials have traded away library and recreation center hours, road repair, water security, and fire prevention to pay employees more to retire than to work. This is a steep price to pay because elected officials have refused to correct past practices that violate the law," said City Attorney Michael Aguirre.

The City's massive pension deficit was cited by the United States Securities and Exchange Commission (SEC) on November 14, 2006, when it released its findings that the City of San Diego had committed the largest municipal securities fraud in U.S. history by not disclosing to investors the massive, intentional under funding of its employee pension system (\$1.2 billion liability) and retiree health care plan (\$1.1 billion liability).

In his analysis, the City Attorney illustrated the negative impact the runaway pension debt is having on city services:

► Increases in the City's contributions to the pension plan, over the period analyzed by the IBA (2003 to 2007), were \$257 million. The budget reductions for the period were \$121 million. In other words, substantial budget reductions have been required to fund pension obligations.

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► The City is caught in a structural deficit trap. Total contributions from the City and City employees to the pension system increased from \$81 million in 2000 to \$236 million in 2007. Total contributions during this period were \$1.42 billion. But over the same period \$1.7 billion or \$300 million more than contributions, poured out of the pension in benefits and costs. These costs and benefits increased from \$127 million in 2000 to \$315 million in 2007.

► Pension benefit costs also grew faster than plan assets during the period. From 2000 to 2007 benefit costs increased from \$3.68 to \$6.84 billion, an increase of \$3.16 billion, while assets went up only \$1.6 billion. Even when investment earnings are added to pension contributions, the benefits continue to grow faster than assets.

To view a copy of the City Attorney's Analysis, visit www.sandiegocityattorney.org, click "Significant Reports and Legal Documents."

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